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C O N F I D E N T I A L MUSCAT 000559

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STATE FOR NEA/ARP, EEB/ESC
COMMERCE FOR COBERG

E.O. 12958: DECL: 06/02/2017
TAGS: [EPET](#) [ECON](#) [EINV](#) [PREL](#) [MU](#)
SUBJECT: OMAN DOWNPLAYS ISA IMPORTANCE AMIDST GAS CONCERNS

REF: A. STATE 74354
[1](#)B. MUSCAT 494

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

[1](#)1. (U) This is an Action Request. Please see paragraph 5.

[1](#)2. (C) On June 2, the Ambassador raised ref A concerns with Minister Responsible for Foreign Affairs Yusuf bin Alawi. Bin Alawi responded that the Sultanate was in critical need of gas supplies to fuel its ambitious industrialization plans. With a considerable portion of Oman's domestic production solidly committed to long-term export agreements with South Korea and Japan, the Minister noted that the government was "exploring all options" in the production and importation of gas, including possible deals with Qatar and Iran. He stressed, however, that reaching and implementing a final agreement with Iran was a "long term" project that could take five to six years, and added that the amount of gas contemplated within the MOU "wouldn't be that much."

[1](#)3. (C) Bin Alawi reaffirmed Oman's commitment to complying with UN sanctions on Iran, but remarked that these resolutions did not presently include hydrocarbons, and that any future UN sanctions most likely would not include them either. The Minister professed understanding of U.S. sanctions under the Iran Sanctions Act (ISA), but nevertheless stated that discussions between Oman and Iran on gas supplies and production would continue. In this context, bin Alawi cautioned that "the U.S. should be careful in imposing sanctions that hit the national interest of other countries."

[1](#)4. (C) Earlier in the day, the Ambassador raised the same concerns with Minister of Commerce and Industry Maqbool bin Ali Sultan, who, under his role as Chairman of the Oman Oil Company, signed the memorandum of understanding on the exploration of gas production with Iran (ref B). Maqbool confirmed Oman's interest in building an underwater pipeline to import gas from Iran, and noted his "keenness" for establishing a joint venture for gas production. He noted that while the details of the proposed business relationship with Iran had not yet been discussed, he would travel to Tehran shortly to work towards developing the MOU into a firm agreement. He expressed skepticism of American sanctions against Iran in light of the firm U.S. position on the Arab League boycott. Maqbool corroborated bin Alawi's comments on Oman's great need for imported gas in order to meet its diversification goals.

[1](#)5. (C) Comment and Action Request: Our message against conducting business as usual with Iran will gain little traction in the face of increasing worries of gas supply shortages, which threaten Oman's industrialization efforts.

During the Ambassador's recent trip to Salalah, for example, free zone developers noted that inquiries of interest from 50 companies had to be turned away due to their proposed reliance on natural gas supplies. The Ambassador nevertheless reinforced the importance of the ISA to our regional engagement of Iran, and promised to send both Ministers a copy of the ISA. To this end, Embassy requests that a copy of the ISA be transmitted to Economic/Commercial Officer Brian Grimm at GrimmBM@state.gov. End Comment and Action Request.
GRAPPO